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## **New Public Management: The Story Continues**

NOEL HYNDMAN AND IRVINE LAPSLEY\*

\*The authors are from Queen's Management School, Queen's University, Belfast, UK, and University of Edinburgh Business School, Edinburgh, UK, respectively.

Address for correspondence: Irvine Lapsley, IPSAR, University of Edinburgh Business School, 29 Buccleuch Place, Edinburgh, UK, EH8 9JS (Irvine.Lapsley@ed.ac.uk)

## New Public Management: The Story Continues

### ABSTRACT

New Public Management (NPM) has aroused significant interest amongst academe, policy makers and practitioners, since its first articulation in the seminal articles by Hood (1991; 1995). However, in the 21<sup>st</sup> century, a body of opinion has developed which asserts that the NPM is *passé*. This paper seeks to determine the contemporary status of NPM in the context of the UK, one of the early adopters of NPM. Close inspection of UK Government policy underlines the importance of NPM ideas in the New Labour Government *modernisation* policy (1997-2010). Furthermore, the policy actions of the 2010-2015 UK Coalition Government reveal that the global financial crisis intensified the drive for NPM in the UK's public sector. This discussion reveals no evidence in support of the demise of NPM.

Keywords: NPM; modernisation; New Labour; financial crisis; Coalition Government

## INTRODUCTION

New Public Management (NPM) is a phenomenon which has been widely observed and debated since the seminal contribution of Hood's observations (1991, 1995). It continues to capture the attention of academic researchers in the public sector. However, there is a debate which suggests that the era of NPM is in the past (Jones, 2001; Dunleavy et al., 2005; Osborne, 2006, 2010; Levy, 2010). This paper offers evidence that NPM is very much alive.

The initial observations of what constituted NPM were articulated by Hood in his article of 1991 (the 1995 paper retaining an identical description of NPM), based on his observations of what was happening in public services in the UK in the 1980s. His basic components of NPM are shown in Table 1 (see below). However, it is important to note that many of these NPM attributes flow from a reforming, right-of-centre UK Government which was wedded to the significance of big business, the need for economies in public services and the need to reduce the public sector and to reform what remained of it in order to provide a much more managerial focus (Thatcher, 1993).

**Table 1: NPM Components**

1. Unbundling the public sector into corporatised units organised by product.
2. More contract-based competitive provision, with internal markets and term contracts.
3. Stress on private sector management styles.
4. More stress on discipline and frugality in resource use.
5. Visible hands-on top management.
6. Explicit formal measurable standards and measurement of performance and success.
7. Greater emphasis on output controls.

Source: Hood, 1991, 1995

This reforming perspective can be seen as an ideological identification with the world of big business and the desire to mimic its approaches to organisation, coordination and management. This is revealed in Hood's (1991) references to market-like structures, to the stress on private sector management styles, the emphasis on frugality and the focus on

measurement and results-oriented controls. However, it is worth noting that the economic context of the incoming Conservative Government of 1979 faced powerful organised labour, stagflation and a large bureaucratic public sector. The conscious decision to place management at the centre of its reforms gave rise to the NPM (although the term had not emerged at this time, and therefore was not used by politicians of that era).

It is important to note that one of the most important strands of the NPM was the stress on private sector management styles. It is also notable that, then, as now, there was no single general model of received wisdom as to what constituted best practice in management. At the time Hood (1991, 1995) was writing on NPM, there were different strains of management ideas and specific 'private sector' practices. These included: Ritzer's (1993) ideas of the MacDonaldisation of society, with the ideas of standardisation and simplification of service levels; with consumers undertaking tasks themselves which would formerly be carried out by employees; and with reliance on technology. It also includes ideas of reinvention of the nature of public services with a distinct concept of 'citizens as customers' at its centre (Osborne and Gaebler, 1992). Other management ideas of that era included the 'lean management' philosophy which seeks to deliver more services with less resource. This particular strand of management thinking emanates from Japanese private sector manufacturers, particularly the practices of Toyota (Womack and Jones, 1996). The private sector practice of lean management has had an amazing resurgence in the 21<sup>st</sup> century as a preferred choice in public services management (McCann et al., 2015). All of these strains of private sector management styles point to NPM being more of a movement than just a specific bundle of tools and techniques (Hood, 2000).

This attribute of NPM – a dynamic which resists clear-cut categorisation – has given rise to a number of attempts to refine the original exposition by Hood. These refinements include Pollitt's (2001) observations on shifts in values from universalism and equity to efficiency and individualism, and Fountain's (2001, p.19) emphasis on the significance of markets and market-based management systems. To these comments we can add the puzzlement of others at the capacity of NPM in action to change and confound neat description. This led Christensen et al. (2007) to describe NPM as a loose concept. Similarly, Van Thiel, Pollitt and Homburg (2007, p.197) observed that NPM had a chameleon-like capacity to change.

However, commentators on the NPM phenomenon have argued (Van Thiel et al., 2007; Andrews, 2010) that the basic ideas of NPM (marketization and the adoption of private sector management ideas) remain the same, but the local context may change the specific nature of policies adopted. These commentators all identify a certain ambiguity in the implementation of NPM ideas which, as shown below, facilitates the translation of ideas into policies in a manner consistent with different political stances.

It is suggested here that subtle understandings of ‘what NPM is’ and ‘what it is becoming’ can be obtained by viewing the NPM project as a trajectory rather than as a distinct, static set of ideas at a point in time. This perspective entails both continuity and change, although some of the change may be more of form than substance in the rarefied environment of government institutions and the agencies with which they interact (Meyer and Rowan, 1977). In this paper, a number of facets inform this perspective of NPM in action. These include the idea of NPM as a multiplying machine of management ideas and practices which will continue to seek out areas of government and public services which it can colonise (Brunsson, Miller and Lapsley, 1998). This attribute of NPM contributes to it becoming an embedded and recurring phenomenon (Lapsley, 2008). This diffusion of NPM ideas may not deliver success, and often policymakers are disappointed (Lapsley, 2009). However, the success, or lack of it, does not deter convinced ‘modernisers’ of public services (Brunsson and Olsen, 1993; Brunsson, 2006, 2009) of the merits of NPM ideas.

This paper is organised in four more sections. First, the theoretical framework of virus theory and translation is discussed. Second, the debate on whether NPM is dead or alive is examined. Third, evidence on NPM in the UK is set out. This includes the use of translation theory, to suggest that the UK’s *modernisation* strategy of New Labour Governments over the period 1997-2010 is another manifestation of the NPM. In addition, this paper examines the continued use of NPM from a virus theory perspective. This includes the implications of the global financial crisis in the UK for NPM. This financial crisis points to an intensification of NPM in public services as government, of whichever political hue, seeks to maintain both levels and quality of service with fewer resources. Finally, the conclusion observes that NPM has never really left us and it is argued that public services are likely to face more NPM for the foreseeable future.

## THEORISING NPM

In many criticisms of NPM, there has been a tendency to dismiss it as being merely a bundle of techniques, without any theory. However, the NPM practices were considered to have both explanatory and predictive capabilities: the presumption that the adoption of NPM practice would enhance efficiency and effectiveness of public services. This is a non-trivial matter. Whether they actually did so may attenuate this claim of being theoretical. For example, Hood and Dixon (2016) challenge the effectiveness of managerialism in reducing the costs of public services. However, the critique of NPM as a-theoretical is misplaced. In his 1991 paper, Hood identified two streams of theories, which shaped NPM thinking. One such theoretical framework is the new institutional economics, with its focus on public choice, transactions cost theory and principal agent theory. These particular approaches to theorising NPM behaviour may be subsumed within dense descriptions of particular NPM initiatives. A further strand identified by Hood was a new wave of neo-scientific management studies, which persists to the present day. The lean management is a perfect example of this (McCann, et al, 2015). These theories sit within positivist perspectives on how organisations function. The criticism that NPM was a-theoretical may reflect the particular positioning of the critical scholars who followed in the wake of NPM rather than the intrinsic nature of NPM per se.

This paper mobilises different strands of theory to investigate the manner in which NPM has penetrated public policy in the UK. The study setting of public sector organisations has been depicted as inherently complex, which requires a blending of different theories to understand and explain phenomena (Jacobs, 2012, 2016). This applies to the study of government budgeting (Lapsley et al., 2011) and to the study of austerity and its impacts on governments (Cohen et al., 2015; Hodges and Lapsley, 2016). This prior research resonates with the present study which focusses on NPM, particularly in an era of financial difficulties. In this paper the thesis that ‘NPM is no more’ is examined from the theoretical lens of (1) virus theory (Rovik, 1994;2011; Kjaer and Frankel , 2003; Madsen and Slatten, 2015) and (2) translation (Callon, 1986; Law, 1992; Freeman, 2009a and 2009b). These theories are elaborated upon below. Virus theory offers a nuanced explanation of how and why NPM becomes embedded in society. Translation theory, which is taken on board by virus theory

as a key mechanism in understanding modifications of NPM, is a powerful lens in its own right.

### (1) Virus Theory

The introduction of virus theory is primarily attributed (Christensen et al., 2007) to the work of Rovik (1998; 2011), but extensions of this theory have been attributed to Kjaer and Frankel (2003) and Madsen and Slatten (2015). An elaboration of virus theory, based on Rovik (2011) is shown in Table 2. The six dimensions of Rovik's version of virus theory are based on a study of virology.

**Table 2 Virus Theory**

<b>Dimension</b>	<b>Outcome</b>
1. Infectiousness	1. Adoption
2. Immunity	2. Non adoption
3. Replication	3. Entrenchment
4. Incubation	4. Maturation
<b>5. Mutation</b>	<b>5. Translation</b>
6. Dormancy	6. Inactive/Reactive

Source: adapted from Rovik (2011). Emphasis inserted

The first stage of *infectiousness* – a complex and dynamic interaction between the virus and its host, with host cells actively absorbing the virus. In organisational terms, this resonates with an organisation which is open to new management ideas. However, in the process of *immunity*, immune reactions and defensive mechanisms produce antibodies or eat particles of viruses, rejecting virus attacks. This accords with conflict situations in organisations in which new management practices may be imposed on the organisation, which resists adoption and implementation. Virus *replication* refers to the stage of infectiousness where the virus takes control of the host cell's metabolism and rapidly reproduces itself in large numbers. This is described in Rovik as a process of entrenchment in management terms. For the fourth stage, *incubation*, is the period during which the host is first exposed to the virus and symptoms appear. In organisational terms this defines the period it takes for the organisation to become a receptive context for new management ideas. The penultimate stage of virology is *mutation*. In this process, there are changes in the genetic structure of the virus which render it invisible to immune systems, thereby avoiding detection, attack and destruction. In



organisational terms, Rovik sees this as translation theory, which is a significant lens for interpreting NPM in action. We take this up in the next section. Finally, *dormancy*, in which viruses may have passive phases. This is an attempt to shut down and hide from immune systems before being reactivated. In management terms, this may reflect different levels of activity and engagement with new practices over time.

Over time, the virus theory gives us an interesting perspective on the potential trajectory of a management reform, such as NPM (Madsen and Slatten, 2015). An important part of the virus theory explanation of phenomena is the manner in which there is potential for a great deal of variation in the definition of management practices (Kjaer and Frankel, 2003). This is particularly so in the case of translations, as discussed next.

## **(2) Translation**

It has been observed that the NPM has become a global phenomenon, as policy makers everywhere seek to transform their public sectors. At one level this process of diffusion has translation difficulties at the level of moving from one language to another because of different social and economic contexts (Pollitt, 2007). At another level, the translator is empowered to offer particular interpretations of phenomena, exploiting agency to shape practices (Callon, 1986). This influential work by Callon captures the essence of ‘translation in practice’ as the various actors in and around management reforms seek to problematise, identify reciprocity, enrol supporters to the cause and establish networks which may prove crucial to the passage of new ideas. It is evident from the analysis below that the NPM movement is a powerful network in the engagement and mobilisation of key actors influencing the shaping and determination of government policy.

This capacity for interpretation and subsequent meanings may be significantly influenced by the context of power in which actors find themselves, and in which decisions are made (Law, 1992). In the context of the NPM, the power of governments to act and of policy adviser networks to mobilise ideas are important features of the translation of NPM ideas into practice. The act of translation may also be deeply affected by the advent of nonhuman actors in the mobilisation of new management practices (Latour, 2005). In this paper, policy

documents, such as budgets and pre budget reports, occupy this space as key actors in the framing of policy (Prior, 2008).

In the context of the NPM, the capacity for ambiguity in policy framing may result in misalignments rather than reciprocity (Freeman, 2009a) and in the enactment of different interpretations of policy directives (Freeman, 2009b). The presence of policy advisors as members of the NPM movement are important elements in these processes of framing and translating and in the construction of policy devices and mechanisms. These observations are fundamental to our understanding of the manner in which the NPM is enacted. For the NPM policy outcomes discussed in this paper, the translation process is central to our understandings of practice.

## THE NPM DEBATE

Managerialism is at the heart of administrative practice and public service reforms (Pollitt, 2016). Yet in 2001, just six years after Hood's article in *Accounting, Organizations and Society* (one of the most widely cited papers to appear in that journal), Larry Jones raised the issue of whether NPM had run its course (Jones, 2001). This comment was a contribution to the International Public Management Network newsletter. The argument advanced by Jones (op.cit) was that comprehensive experimentation with NPM reforms was drawing to a close. Also, other commentators, including Savoie (1995), had depicted the NPM as thoroughly discredited. This school of thought that NPM was *passé* has been joined by others. These other commentators do not make the observation that the NPM has run out of steam, but point to changes in context which mean that the NPM has been overtaken by events. So, Dunleavy et al. (2005) have argued that the impact of the internet has resulted in a post-NPM world for citizens. However, the path of the e-government project is strewn with failures, making such a view seem rather optimistic (and one rarely expressed with conviction by those outside the zealots of the technological revolution). A different argument has been advanced by Osborne (2006, 2010). He has located the NPM era as largely the period between 1980 and 2000 and has argued that since then the context of public services has been transformed, that many public sector bodies are no longer

mainstream providers, and that these bodies work in partnership or in alliances through networks. In this version of the post-NPM world, the crucial focus is on governance of ever more elaborate arrangements, rather than management *per se*. This interpretation of events is discussed further below. Recently, Levy (2010) has advanced the case that the global financial crisis has led to the demise of NPM. The findings of this paper suggest otherwise.

However, just as NPM has those keen to declare it as dead, there are commentators who see the NPM as of continuing significance. Hood and Peters (2004) have observed that, at that time of writing, NPM was entering middle age. Also, Pollitt (2004) has argued that the 'NPM is over' lobby is premature. He points to the different pace of NPM reforms in different countries which makes blanket statements of its health, or otherwise, difficult to prove empirically. In this regard, the NPM has been described as 'alive and kicking', even if its viability may be doubted (Drechsler, 2005). Also, Pollitt (2007) has deployed the ideas of social construction to depict the NPM as a rhetorical and conceptual construction which is both open to reinterpretation and to shifting usage. Pollitt (op.cit) observed that:

“ .. the NPM is not dead, or even comatose...Elements of NPM have been absorbed as the normal way of thinking by a generation of public officials.....NPM must be accounted a winning species in terms of its international propagation and spread.”

These observations are consistent with a 'translation' perspective, which cautions against the interpretation of NPM as a constant, fixed idea, rather than as a more loosely coupled set of techniques and practices. Indeed, Lapsley (2008) has suggested that, while there has been resistance to NPM ideas from professional groups, the concepts of NPM are now embedded in public services. Moreover, Hyndman and Liguori (2016), in analysing the political debate regarding accounting changes over a period from 1991 to 2008, identify NPM ideas as pervasive in discussions, and persistent over time. They conclude that political deliberations surrounding accounting-related public administration issues over recent years have largely presented an NPM landscape which is contoured with different aspects of NPM coming to the fore at different times (as particular changes are debated in the political arena). This is consistent with replication and entrenchment in virus theory (Rovik, 2011).

It has also been suggested that, while there are more collaborative ventures (joint working and networking arrangements in the organisation of public services or ‘the new public sector governance’ which offered a ‘post-NPM world’), both NPM and so-called ‘post-NPM’ ideas emerged at much the same time (Peters and Pierre, 1998). Moreover, both sets of ideas have proceeded in parallel with suggestions of terminological churn rather than substantive difference (Hood, 2011). Indeed, within network organisations there remain significant management tasks, which continue to give the NPM a major role (Hodges, 2009). Furthermore, Ferlie (2009) has challenged the extent to which a post-NPM world which is dominated by alliances actually exists, suggesting that the transition from traditional hierarchies to networks is, as yet, only partial. Indeed, in the specific setting of local government, Martin (2010) studied ‘Local Strategic Partnerships’, ‘Sustainable Community Strategies’ and ‘Local Area Agreements’ as forms of networked community governance and found NPM-inspired reforms of the Thatcher era were still an important feature of 21<sup>st</sup> century UK local government. This debate reveals the contested nature of NPM practices. Nevertheless, NPM has spread virus-like across its host – the UK public sector – as the following discussion of UK experiences demonstrates

## UK EVIDENCE OF NPM

Virus theory (Rovik, 2011) is mobilised in this section to categorise the different phases of NPM development in the UK from the late 1990s to the present. The UK was an early adopter of the NPM. The evidence presented here reveals its intensification over the past twenty years. It is important to note that in studying the NPM there are layers of management styles and initiatives, and ground breaking circumstances which fall over different time periods (Pollitt, 2016). This is not a simple linear progression. There are four stages to this analysis. While the focus of this paper is primarily on the Labour Government of 1997-2010 and its successor, the Coalition Government of 2010-15, the experiences of the Global Crisis of 2008 and its aftermath are also considered as distinct phases in the study of NPM. First, the experiences of the New Labour Government, particularly in the period 1997-2009, are examined. This is positioned as primarily a period of NPM **Mutation and Translation**. Second, the Global Crisis of 2008 is examined. This is depicted as a period of NPM **infectiousness**. Third, the immediate aftermath of the Global Crisis of 2008 and the

initial response of the UK Government is studied. This reaction is depicted as a period of **NPM Replication and Retrenchment**. Finally, the activities of the Coalition Government are examined. The Global Crisis of 2008 became the Great Recession (Hodges and Lapsley, 2016) in which the prolonged impact of the 2008 crisis persisted. This period is depicted as one of **NPM Incubation and Maturation**.

### **(1) Mutation and Translation of NPM**

The idea of NPM has been described by Pollitt (2007) as socially constructed. Earlier in this paper it was noted that NPM does not have a precise operational definition, although it does have distinct traces by which its presence can be tracked. The ideas of translation (Callon, 1986; Law, 1992) suggest that empowered actors may mobilise and exploit their position to recalibrate a set of ideas which is malleable and sensitive to its operational and political environment. This is particularly so in the arena of policy specification and capture (Freeman, 2009b), as in the case of the implementation of NPM.

Indeed, it is suggested here that, despite the NPM emerging in the UK in a Conservative Government era (between 1979 and 1997), it did not die with the advent of a New Labour Government in the UK in 1997; rather, policy ‘translators’ represented NPM ideas under another banner – the modernisation agenda. There is evidence that, over the period 1999 to 2009, New Labour policy advisors translated NPM into modernisation. The first aspect of this was the initial elaboration of the policy of modernisation (Cabinet Office, 1999). This document, which emphasised a performance-based results focus, elaborates a policy which was to apply to the entire public sector. This link with the NPM regime of the Conservative era was also captured in the continuing drive for efficiency and effectiveness, although it was claimed that the policy would be pragmatic, not dogmatic. This policy document also suggested that the policy of modernisation would be more responsive to users, which resonates with NPM ideas of shifting from an old public administration preoccupation with a primacy of producers over users of services. Also, the document makes explicit reference to the need to ‘build on the policy reforms of the past 15 years’, which takes us back to the period in which NPM ideas were first promulgated in the UK.

Over the decade to 2009, the implementation of modernisation as NPM can be traced. One of Prime Minister Blair's leading policy advisers, an architect of New Labour's top-down modernisation agenda, concedes that this policy was heavily influenced by NPM ideas (Taylor, 2011). The modernisation structures installed included the Prime Minister's 'Delivery Unit', the 'Commission for Health Improvement', the 'Performance and Innovation Unit' and the 'Public Services Productivity Panel' (see Hodgson, Farrell and Connolly, 2007). These structures were reinforced by a variety of mechanisms: performance management, performance indicators, performance monitoring, public service agreements, best value audits and comprehensive spending reviews. There were targets passim. An interesting example of this NPM-style quantification and results orientation can be found in the operation of the Prime Minister's 'Delivery Unit' (Barber, 2007). Another interesting example of the reach of what modernisation means can be gleaned from the case of UK Sport. In 2003, this organisation articulated its strategy as 'modernisation' which it depicted as 'the process of continuing development...towards greater effectiveness, efficiency and independence' (UK Sport, 2003). This is NPM in action, an indication of the extent of its penetration across the public sector and way beyond core services. The translators of UK Sport's rationale have mobilised around the policy idea of modernisation, deploying the language of NPM to depict their position

In terms of the development and promulgation of overall policy, a decade after the Cabinet Office articulation of the initial policy strategy of modernisation (Cabinet Office, 1999), the UK Government re-launched its public services strategy as *Working Together: Public Services on Your Side* (Cabinet Office, 2009). There is a certain irony in the choice of this title, as it has echoes of one of the most controversial policies of the Thatcher right-of-centre reforming Conservative Government of 1989, as it sought to devise markets in health care for the National Health Service (NHS) as a distinct element of NPM policies with its policy document *Working for Patients*. An examination of this 2009 document highlights the NPM approach to be deployed in the oversight of UK public services. In particular, this policy document highlights results, quantification, target setting and performance measurement. These policies would not have looked out of place in a policy document of the Thatcher era. This is an indication that, despite those proponents of the view that NPM is over, the NPM is an embedded, colonising device, deep in the heart of the UK government. Far from the

demise of NPM, these ideas have never left the UK policy-making process. This policy document of 2009 reveals the significance of the ‘translators’ as policy makers who shape and influence policy making (Freeman, 2009b), drawing inspiration from the ideas of a well-established network of modernising NPM proponents. This NPM trend is accentuated by the global financial crisis and the response of the UK Government.

## **(2) An Infectious Period for NPM**

In this section the implications of the global financial crisis for the UK public sector are explored. It has been asserted that this crisis signals the end of NPM (Levy, 2010). However, in this analysis of the policy debate and policy actions of the 2010 Coalition Government and its predecessor, the Labour Government, led by Gordon Brown as Prime Minister, there is clear evidence of NPM ideas asserting themselves. This analysis includes a study of key actors – the Budget Report of 2009 and the Pre-Budget Report for 2010 – which shape actions and positioning by many other actors on the scene. This section also examines the positions adopted by the major political parties in the aftermath of both the Budget Report and the Pre-Budget Report. Independent analyses of the positions adopted by the main political parties are then assessed. Finally, in this section, lessons from history are examined and their implications for NPM discussed.

The financial collapse in the UK banking system has posed significant challenges for the public sector. The consequent direct investment by the UK government in acquiring controlling stakes in the UK commercial banks which were threatened with financial failure has significant adverse consequences for the public sector. The scale of UK Government financial support was estimated at £924 billion and was described as unprecedented by the National Audit Office (NAO, 2009, p.5). The challenge facing the then Labour Government was enormous with the two rescued banks (HBOS and RBS) having a combined balance sheet of some £3 trillion, over twice the UK annual GDP (NAO, 2009, p.5). This support of the banking sector meant the government had to reduce the size of its public sector to finance the intervention in the banking sector. The UK Government was too highly leveraged to countenance further borrowing. In 2009/10 government borrowing was estimated at 12.4% of GDP. The government was constrained in its options on fundraising through taxation, with the restoration of VAT to 17.5% in January 2010 and its possible

increase to 20% being the most likely devices to raise government monies. The UK Government signalled its intention to raise capital receipts from the sale of government assets, with an expected £16 billion being raised in this way. In 2009, the UK Treasury estimated it would have to make £5 billion in efficiency savings from the public sector but realised that this would only be a temporary relief from the underlying deficit. The objective of eliminating the Government estimated deficit of £125 billion in 2009/10 then became a focus for cuts in public services.

In the wake of the Government bank rescue and in the run up to the Pre-Budget Report in 2009, an Institute of Fiscal Studies report estimated that the UK Government would have to borrow £90 billion to bridge the gap between spending and revenue or the Public Sector Net Borrowing Requirement would be unsustainable (Chote et al., 2009). The Centre for Economic and Business Research (CEBR) estimated that a budget deficit reduction of £100 billion by 2014/15 would be necessary to get the deficit down to £50 billion and, without any fiscal action, the deficit would become £158 billion (CEBR, 2009). The CEBR also estimated that there would be a clear difference between the main political parties, with a Labour Government increasing taxes by £40 billion and cutting expenditure by £60 billion, but if a Conservative Government were elected in the then forthcoming general election, tax increases of £20 billion with expenditure cuts of £80 billion were predicted.

In the run up to the 2010 general election, the key actors in all political parties converged on the policy option of public expenditure cuts. The Conservative Party leader, David Cameron, signalled that his party would stand for a policy of *thrift*, if elected. The Conservative party recruited management consultants to identify cost savings in public services. The then Shadow Chancellor, George Osborne, identified reductions in welfare (incapacity benefits) and an increase in the retirement age to 66 as means of cost saving. Previously, Osborne was identified with the delay or cancellation of major capital projects in the Ministry of Defence to make savings. Other major capital schemes, such as the £13.5 billion *Connecting for Health* programme at the Department of Health, major transport projects, and the Labour Government national identity-card scheme, were mooted as possible candidates for cost savings. However, these various schemes for expenditure reductions were not sufficient to eliminate the projected deficit. The then Chancellor of the Exchequer, Alistair Darling,



announced cuts in public expenditure would be necessary to restore fiscal stability, but suggested the government would cut costs, not services (Darling, 2009). In a speech at the London School of Economics, Lord Mandelson, the Business Secretary, said that Labour ‘would spend wisely’. Moreover, the Prime Minister, Gordon Brown, argued, at the 2009 Trades Union Congress, that although cuts in public expenditure were necessary, Labour would protect frontline services.

Against this economic backdrop, the then Chancellor of the Exchequer, Alistair Darling, made his Pre-Budget Report on the 9<sup>th</sup> December, 2009. He announced the intention of the government to halve the UK budget deficit over a four-year period. He also announced a package of measures: the restoration of VAT at 17.5%; National Insurance increased by 1%; more modest benefit increases than originally anticipated; public sector pay increases limited to 1% (a real terms reduction); and a ‘super tax’ for bankers’ bonuses. The Chancellor also indicated that certain services (education and health) would be protected from public sector cutbacks. In an interview in the *Times*, Darling reiterated this view on UK Government policy (Sylvester and Thomson, 2010a):

“We need to protect frontline services but it is absolutely essential to cut the public deficit. The next Spending Review will be the toughest we have had for 20 years. Many departments will have less money in the next few years. We are talking about something like a £57 billion reduction in the deficit through tax increases and spending cuts. It is a change in direction.”

An analysis of the Pre-Budget Report by the Institute of Fiscal Studies (Crawford, Emmerson and Tetlow, 2010) compared the implications of UK Government policies with those of the main opposition Conservative Party policy proposals. One common policy for both was the preservation of expenditure on overseas development at 0.7% of national income. The then UK Labour Government proposed: a real freeze on front-line expenditure on health in 2011/13; a 0.7% increase in frontline schools’ expenditure; and a 0.9% real increase in frontline expenditure on participation of 16-19 year olds. Crawford et al. (2010) estimated that there would be overall cuts in departmental expenditure of 10.9% (or £42 billion) by 2014/15. For unprotected areas (higher education, transport, defence and housing) the cumulative real cuts would be 18.7% if protection ended in 2012/13, and

24.8% if protection continued. The Conservative Party identified health expenditure as the only area of public expenditure (other than overseas development) deserving of 'protected status', with year-on-year real increases proposed for the duration of the next parliament. The Institute of Fiscal Studies analysis of Conservative Party proposals estimated cumulative real cuts in expenditure in unprotected areas by 18.3% if an incoming Conservative government matched the UK government commitments to public expenditure, and 22.8% if not. Both sets of proposals implied substantial cost cutting and budget reductions in public services, regardless of the winner in the 2010 UK general election.

However, there were substantial challenges to the imposition of the level of cuts indicated by both of the main political parties, whoever won the 2010 general election. In the first instance, the lessons of history suggest that this level of cuts is neither achievable nor sustainable (Dunsire and Hood, 1989). Even the radical reforming right-of-centre Conservative Government of 1979 to 1985 had public expenditure higher in 1985 than it was in 1975 (Dunsire and Hood, 1989, p.13); the Labour Government of 1974/79, in the midst of the fiscal crisis of 1974/75, only managed a slight reduction of public expenditure in real terms in the period 1976/77 (Dunsire and Hood, p.12); and the only substantive cuts made and sustained over a period of years in the modern era were the Geddes cuts of 1920/25, which were largely achieved by sleight of hand; the dismissal of approximately 35% of civil service employees who were female staff and recruited on temporary contracts in the wake of the loss of manpower in World War 1 (Dunsire and Hood, 1989, p.10). The lessons of history tell us 'slash and burn' of public expenditure is unlikely to work, and unlikely to be achievable politically. This leaves a managerial solution – the NPM – as the key policy option to the reduction of public expenditure to both achieve reductions and make them sustainable.

### **(3) Replication and Retrenchment of NPM**

In this section, the response of the UK Government to the fiscal crisis and its implications for NPM are examined. It is evident from the analysis of the preceding section of this paper that budget reductions were certain, regardless of the political complexion of the UK Government. While Hood (1995) regarded financial distress as a possible antecedent of the NPM, he did not regard it as a necessary one. However, the sheer scale of prospective

budget reductions arising from the global financial crisis is unprecedented. This raised issues of just how such budget cuts would be made, both at the macro and the micro, or individual organisation, levels.

The key actor in the design of the then UK Labour Government approach to the reduction of public expenditure was the Chief Secretary to the Treasury, Liam Byrne. Byrne is a former management consultant with Andersen Consulting. His thinking on management of the public finances resonates with NPM ideas. In 2004, Byrne (Collins and Byrne, 2004) paid tribute to Osborne and Gaebler's (1992) *Reinventing Government*. Osborne and Gaebler (1992, pp. 322-330) described NPM as a new 'global paradigm' which would inevitably dominate public management. Collins and Byrne (2004, p.10) expressed regret that many of Osborne and Gaebler's ideas were still deeply contentious in the UK and that the public services in the UK had not been reinvented in the manner advocated by Osborne and Gaebler. In this revisiting of Osborne and Gaebler, Collins and Byrne (2004, pp.11-12) advocated four key principles for the reform of UK public services: (1) choice (markets and quasi-markets), (2) subsidiarity (decentralisation), (3) information, audit and inspection (as management mechanisms, although, with some caveats as to whether audit had gone too far) and (4) 'leadership' in the management of key dimensions of changes in public services. In this homage to Osborne and Gaebler, the observation was made (Collins and Byrne, 2004, p.8) that:

“(Reinventing Government) very quickly achieved that rare accolade for a policy book in that politicians actually read it”.

Indeed, this particular book was well read at the time by members of the Conservative Administration of that era, including the adviser to the Prime Minister on efficiency and effectiveness and the then Chief Secretary to the Treasury, William Waldegrave (Levene, 2009). In terms of the translation of these NPM ideas, there are two dimensions to Byrne's contribution. First, there is the policy document of which Byrne was the architect, which was published in the week of the 2009 Pre-Budget Report. Second, there has been the subsequent work of Byrne in seeking public-sector budget reductions (Sylvester and Thomson, 2010b).

In December, 2009, the Treasury published its strategy document for dealing with the fiscal crisis (HM Treasury, 2009). This document, entitled *Putting the Frontline First: Smarter Government*, is the work of the Chief Secretary of the Treasury, Byrne. It focussed on a number of key themes: (1) customer responsive services, (2) ‘recasting the centre and the frontline’ (or decentralisation), (3) the ‘power of comparisons’ (or performance measurement) and (4) the streamlining of central government, by innovation, rationalising and reform, and efficient asset management. It has its antecedents in Collins and Byrne (2004) and in Osborne and Gaebler (1992), and can be seen as a translation of NPM in action. Subsequent to this, the Chief Secretary to the Treasury undertook a cost-savings exercise with the intention of identifying the savings necessary, department by department, by the time of the then Chancellor of the Exchequer’s presentation of the budget in March 2010. Byrne was explicit about the need to make savings (quoted in Sylvester and Thomson, 2010, p.39):

“We’ve got to be much blunter about our plans for public spending. We’ve got to find £82 billion of deficit reduction.... That means stopping doing some things, it means pushing some things to the side and it means a revolution in Whitehall....I’ve got numbers to deliver and I’m going to deliver them.”

The Chief Secretary to the Treasury identified the impact on key services, such as the NHS (quoted in Sylvester and Thomson, 2010, p.39):

“The Department of Health has the biggest savings target because it has the biggest budget. It is likely to lose more than a tenth of its budget – about £10 billion. Birmingham has three primary care trusts. They’re going to have to make one and get rid of a lot of managers...There could be hospital closures...Some hospitals will have to start doing more of their care in the community.”

The above actions would pose significant challenges to health-care managers for the efficient delivery of care. Byrne also made the observation that ‘no part of Whitehall is exempt from the need to deliver’ (quoted in Sylvester and Thomson, 2010, p.39). This stance of the Chief Secretary to the Treasury echoes the particular variant of NPM which Ferlie et al. (1996, p.10) describe as ‘The Efficiency Drive’.

The implications of the above analysis of the mechanisms by which such cuts in public expenditure can be enacted are profound. The implication of this scale of prospective public-expenditure cuts is indicative of the entire panoply of NPM management devices: top-down management directives, discipline and frugality of resource use, efficiency savings targets, financial tests of public-services viability and short-term contracting. In sum, ‘more for less’ or ‘results, results, results’. These approaches to cost saving imply there will be more value-for-money scrutiny, efficiency audits, benchmarking, target setting, cost comparisons, tight budget controls and greater scrutiny of public-service delivery.

#### **(4) Incubation and Maturation of NPM**

The Coalition Government of 2010/15 set about a programme of more cuts and even more NPM. The above analysis of the outgoing Labour Government is compounded by the policy actions of the UK Coalition Government, of Conservative and Liberal Democrat parties, which was formed after there was no outright winner of the May 2010 general election. The deficit it faced in 2010/11 is shown in Table 3.

**Table 3: Budget Deficit 2010/11**

Public Expenditure	£697 billion
Income from taxes	£548 billion
Deficit	£149 billion

Source: HM Treasury October 2010

The Coalition Government made this fiscal deficit a major focus of its programme for government. On 29<sup>th</sup> May 2010 the newly appointed Chief Secretary to the Treasury, David Laws, made the following dramatic statement of the Coalition Government intentions on cutting public expenditure:

“There are going to be years of austerity ahead in the public sector.... people will notice a huge drive towards efficiency...There is no guarantee of *no cuts* to staff such as doctors, nurses and teachers...”

The immediate manner in which the Coalition addressed this fiscal crisis was an emergency budget in June 2010 and a Comprehensive Spending Review (CSR) in October 2010. The Emergency Budget of June 2010, contained six key objectives:

1. Public Sector Borrowing: reduce from £149 billion in 2010/11 to £20 billion in 2015/16.
2. Public Sector Expenditure: to reduce by £32 billion per year over the four years to 2015/16 (total reduction £128 billion).
3. Efficiency Savings: £6.2 billion in 2010/11.
4. Two year public pay freeze and a review of all public sector pay and pensions.
5. Asset Sales: High Speed Rail Link, Tote Board, Student Loans and National Air Traffic Control.
6. Value Added Tax: increase to 20% from 2011.

Regarding the second item in the June Emergency Budget, the proposed reduction in public expenditure of £128 billion, this was a headline figure which was to be set out in detail in the CSR of 1<sup>st</sup> October 2010. This policy document identified changes to welfare benefits including proposals to increase the state pension age to 66 by 2020. This document also signaled the introduction of a single, means-tested benefits system and the withdrawal of child benefit for higher-rate taxpayers. A prospective £7 billion welfare savings was anticipated. The overall pattern of proposed cuts in public expenditure in the 2010 CSR are set out below in Table 4.

**Table 4: Key Reductions in Public Expenditure**

<b>Service/Department</b>	<b><u>2010/11</u> <u>£billion</u></b>	<b><u>%</u> <u>change</u></b>
Education	50.8	- 3.4%
Health	98.7	+ 1.3%
Business	16.7	-25.0%
Defence	24.3	-7.5%
Justice	8.3	-23.0%
Home Office	9.3	-23.0%
Transport	5.1	-21.0%
Local Government	28.5	-27.0%

Source: HM Treasury, *The 2010 Spending Review*

It is evident from the above cuts in expenditure that health (the NHS) had been treated as a special case. The overall budget for the NHS shows a real terms increase of 1.3% over the planning period of this spending review. However, while this is undoubtedly a favourable treatment of the NHS, this does not capture the underlying budget pressures within the service. In particular, this projected expenditure uses a gross domestic product (GDP)

deflator of 2.9% in 2010/11, but estimates of price inflation in the NHS were approximately 7.1% in real terms.

The overall pattern of a cost-cutting government projects a distinct image of this Coalition Government. One possible view of this financial crisis is that signals the end of NPM (Levy, 2010). However, it has been observed that crises, such as the current global financial crisis, present opportunities for governments to advance their own agendas (Peters, 2011). This observation may be dismissed as possibly a cynical academic commentary, but it is interesting to relate the Guy Peters observation to the following comment by a UK Cabinet Minister to one of the authors of this article (Anon, February 2011):

“The situation of the UK financial crisis is a great opportunity for public sector reform.”

The Coalition Government that emerged from the May 2010 general election had as its basis a Conservative-Liberal Democrat *Coalition Agreement* (HM Government, 2010a). Since then, the Coalition (which lasted until 2015) initiated a series of reforms impacting on, among other things, the structure, funding and operation of the public sector. A recurrent theme often associated with these was an economic strategy based on cutting the deficit through austere reductions to public spending as a consequence of the continuing impact of the earlier financial crisis. Indeed, even the *Coalition Agreement* concluded with the *caveat* highlighted that the (p.35) ‘deficit reduction programme takes precedence over any of the other measures in this agreement.’ However, in tandem with the need to reduce public spending, the language, activities and mode of reforms proposed and introduced by the Coalition Government resonated with the major thrusts of NPM originally introduced by the reforming Conservative Governments from 1979 on, and which were largely followed, and even augmented, by subsequent New Labour Governments of 1997-2010 (Hyndman and Liguori, 2016).

NPM claims to make government more efficient and ‘consumer responsive’ by injecting businesslike methods, and identifies a set of specific concepts and practices to support this. Evidence of such a drive cannot only be seen in the early UK central government reform initiatives from the late 1970s onwards, but also is clearly visible in the actions of the

Coalition Government between 2010 and 2015. For example, the Conservative Government from 1979 to 1997 (led by Margaret Thatcher from 1979 to 1990), sought the advice of business leaders on key policy issues. This included McGregor on steel and coal, Jarratt on universities and Griffiths on the NHS. Similarly, the 2010/15 Coalition Government sought the advice of Browne, formerly of BP, on future policy on universities, and Philip Green of Arcadia on cost cutting and efficiency in public expenditure.

In addition, with particular focus on restructuring, efficiency and performance, it was an Efficiency Unit (1988) report to the Prime Minister (then Margaret Thatcher) that argued that the civil service was too big and diverse to manage as a single unit, and there was a need for smaller, performance-focused units in order to drive both effectiveness and efficiency (key thrusts of NPM). This culminated in a significant restructuring of central government and an extensive programme, referred to as the *Next Steps Initiative*, which resulted in over 75% of civil servants working in Executive Agencies<sup>i</sup> by the late 1990s (a lesser percentage now). With a similar performance-focused drive, in July 2010 the Coalition Government announced a new *Draft Structural Reform Plan* (Cabinet Office, 2010) which detailed what each department of government would do to implement proposals in the *Coalition Agreement*. Individual departmental *Structural Reform Plans* (SRPs) replaced *Public Service Agreements* (claimed as being ‘old, top-down systems of targets and central micromanagement’, p.1) as required by the previous New Labour Government as part of its *Spending Review* process. SRPs were to be the vital tools of the Coalition Government for making departments accountable for the implementation of the reforms set out in the *Coalition Agreement*. Key ‘departmental priorities’ were identified (with each having a list of key actions with targeted start and end dates) which included (p.2): civil service reform, with such being linked to overseeing the *Efficiency and Reform Group* within government; and driving efficiency in government operations. While the official rhetoric in this document might suggest that such moves were new, what was put forward was largely an enduring (or even increasing) concentration on efficiency and performance (key elements of early NPM) embedded in structural adjustments; an intensification of performance ideas within a spectrum of NPM reforms.



The Thatcher Government of 1979 introduced market mechanisms (including compulsory competitive tendering and the internal market in health care) with the intention of improving the efficiency of the public sector. The Coalition Government demonstrated a similar desire to reform public services by introducing market mechanisms. Perhaps the most dramatic and far-reaching example of this is the commitment of the Coalition Government to what it called ‘open public services’ (HM Government, 2011). This policy document is framed as a set of beliefs about the benefits of market-like structures in the public sector. This White Paper states that (HM Government, 2011, p.6):

“We are opening public services because we believe that giving people more control over the public services they receive and the opening up the delivery of these services to new providers will lead to better public services for all.”

It aimed to (p.12) ‘ensure better-quality services that are more responsive to individual and community needs’ and it was argued that by ‘making public services more open, we will give more freedom and professional discretion to those who deliver them, and provide better value for taxpayers’ money.’ The White Paper set out the government’s approach to public services in relation to five key principles (p.12): choice – wherever possible government will increase choice; decentralisation – power should be decentralised to the lowest appropriate level; diversity – public services should be open to a range of providers; fairness – government will ensure fair access to public services; and accountability – public services should be accountable to users and taxpayers. Subsequently, regular updates of progress were published (for example, HM Government, 2014) showing how far government had come in reforming public services in line with these five principles.

This ‘open public services’ thrust of the White Paper (HM Government, 2011), and the intensification of focus on the market, could easily have been produced by the 1979 Conservative Government. Furthermore, beyond the basic statement that all public services should be open to competitive tendering, the Coalition made specific policy proposals for additional markets in public services. One of the most notable was the introduction of ‘full-cost’ tuition fees, instead of the traditional block grant allocation, to finance undergraduate education in universities. Furthermore, the 2010 White Paper (HM Government, 2010b) creating a market in health care in England was similar in design and content to the highly-

controversial internal market which was implemented by the earlier Thatcher Conservative Government. There is also the interesting example of the creation of a market in public sector audit in England with the demise of the Audit Commission as an agency of government in the pursuit of value-for-money in public services. Overall, the marketisation of public services (a notable element of the early NPM discourse) continued as a key element of the Coalition Government's programme.

NPM is a convenient, though rather loose, 'umbrella' term that embraces a range of administrative and managerial ideas and is a shorthand for a set of broadly similar administrative doctrines that has shaped the reform agenda in the public sector in many countries over many years (Hood, 1991, 1995; Pollitt and Bouckaert, 2011; Hyndman et al., 2014). However, it is not a homogenous set of reform ideas, and its detailed 'contours' (or facets) may well come to the fore at different times and in different ways (Hyndman and Liguori, 2016). However, adopting more businesslike methods, emphasising performance, restructuring to give focus and having faith in markets are all NPM ideas, and they have consistently emerged and reemerged as doctrines of policy. This is the case from the 1979 Thatcher Government to the Coalition Government of 2010 (and all other UK governments in between). They may emerge singly or in combination. For example, a range of these NPM thrusts is embedded in the *Civil Service Reform Plan* (HM Government, 2012). The plan, echoing a mixture of broad ideas, not dissimilar to the approach, tone and high-minded objectives of the *Financial Management Initiative* of the Thatcher Government (HM Government, 1982), set out a series of specific and practical actions for reform, which, it was claimed, will support (HM Government, 2012, p.4) 'real change for the Civil Service'. Key actions in this plan included: more rigorous performance management; strengthening capability; creating a more unified Civil Service where shared services are the norm; developing new ways of delivering services, with 'digital by default' becoming the norm; increasing the emphasis on training; and open policy making. Using the language of management, and the language of NPM, the Coalition Government document claims to be (p.8) 'a working action plan that sets out key actions [which are] not exhaustive, and will be regularly updated and reviewed on a continuing basis.' It quite obviously heralded a continuing commitment to an ongoing NPM agenda. In this instance, the colonising

tendencies of NPM, long evident in the Conservative party had now captured leading figures in the formerly radical, left of centre, Liberal Democratic party.

The *real politik* of the global financial crisis suggests a re- emergence of the NPM ideas of the 1980s as Government pursues value for money and efficiency studies, with the prospect of slimmed down structures and quasi-markets as coordinating mechanisms for service delivery. All of this points to more NPM for a decade or more. NPM is embedded, irreversibly, in public organisations (Lapsley, 2008), but it is recognised, here, that NPM may also be dysfunctional (Lapsley, 2009).

## CONCLUSION

NPM has been the subject of intense academic curiosity. It also portrays a set of ideas and practices which modernising reformers actively pursue as a solution to the challenge of making the public sector more economical, efficient and effective. The idea of NPM has proved elusive to some because it is not static. The NPM can be viewed as a ‘movement’ (Hood, 2000). It can also be seen as a kind of trajectory, but one in which its implementation is still in full flow.

In contrast to this, there is a ‘denial lobby’ which asserts that NPM is no more. Such a lobby does not rely on a single argumentative thrust, but rather on a mixture of related, and sometimes unrelated, contentions. These veer from opposition on principle, to expressions that the NPM has been overtaken by events, such as e-government and the growth of pervasive sets of networking arrangements between organisations. There is an equally vociferous lobby which still sees NPM in action. In part, being conclusive is difficult on a universal basis. However, this paper has confined itself to a discussion of the UK experience. This suggests that proponents of the public sector as a network of alliances have overstated their case. It also suggests that, while the increasing importance of the internet to public services is recognised, this does not create a ‘post-NPM world’.

The election of a New Labour Government in 1997 was seen by many as likely to herald the demise of the NPM ideas promoted by the radical reforming right-of-centre Conservative

Governments which it replaced. The *leitmotif* of the New Labour Government is represented in the theme of *modernisation*. However, a study of the policy actions, declarations and mechanisms enacted by the New Labour Government reveals a preoccupation with the quantification, target setting, performance measurement and monitoring, results focus of the NPM. The key policy actors have translated the NPM into the *modernisation* theme.

Furthermore, despite the positioning of political actors in the midst of the global financial crisis, there was little to choose between the UK's main political parties in terms of fiscal outcome in the political contest that was the 2010 UK general election. In terms of manifestos, it appeared that whichever political party won the 2010 election there would be a significant set of public sector budget reductions. Indeed, the outgoing Labour Government of 2010 had already started on reforms which were inspired by NPM ideas. At that time, other key actors on the scene, such as policy advisers and management consultants, also pointed to the need for a management solution to the effective management of necessary budget reductions. As anticipated, and subsequent to the 2010 election, the cuts, as a consequence of the earlier financial crisis, continued. While the new Coalition Government (now of a Conservative-Liberal hue) enacted a range of bespoke policies, the language and thrust of NPM remained. Deficit reduction was to the fore, but NPM ideas remained central to achieving this. Departmental *Structural Reform Plans*, open public services and the *Civil Service Reform Plan* were all presented using the language and tools of the enduring (and perhaps even 'old') NPM (economy, efficiency, markets, targets, decentralisation etc.).

Overall, this paper concludes that NPM has penetrated the UK public services, virus- like over a lengthy period, with little sign of policy makers being immune to its attractions (although this may not be the case for all professional groupings across the public sector). Its presence may be contested, particularly by professional groups, but it is embedded within UK government services. While the NPM may be disappointing to policy makers, the multiplying machine characteristics of NPM make its spread ever deeper in public services. The story of NPM continues. NPM is not a neat set of managerial tools and techniques. Different ideas are added over time, as the NPM virus adapts and mutates. Particular tools and techniques come to the fore at different times and in different contexts. NPM ideas are often wrapped up within specific broad 'branded' policy initiatives of particular

governments. It might even be described as somewhat of a 'loose and baggy monster'.<sup>ii</sup> Nonetheless, the resilience of the NPM virus has had a lasting quality over time, and one that appears to be intensified in importance to reforming governments because of the continuing global financial crisis. Such is the case in the UK and, most likely, elsewhere.

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## ENDNOTES

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<sup>i</sup> Executive Agencies are parts of government departments that are treated, from both a managerial and budget perspective, to be separate, and which carry out specific service-delivery functions

<sup>ii</sup> Henry James, the American writer, referred to a number of nineteenth-century novels as 'large, loose, baggy monsters' because of their length and unwieldy, yet strangely fascinating, natures. Similar views could be afforded NPM.